FDIC State Profile

Winter 2004

Oregon

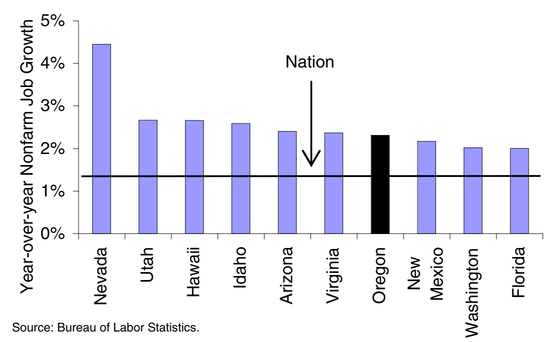
Oregon's job recovery is underway.

- After falling for three years, Oregon nonfarm employment outpaced the nation in early 2004. The third quarter 2004 annual growth rate of 2.3 percent, above the national rate of 1.3 percent, ranked Oregon seventh nationally for the second successive quarter (See Chart 1).
- Most sectors in the state posted job increases during this period, particularly the business services sector (8,800 jobs) and the manufacturing sector (5,700 jobs).
- The Oregon business services sector benefited from job strength in the employment, business support, and building services industries. The use of employment services is highly concentrated in high-tech states and may benefit from a recent recovery in Oregon's important semiconductor industry.[1]
- Within the Oregon manufacturing sector, the semiconductor industry gained 1,000 jobs in the year ended third quarter 2004, a significant improvement compared with the loss of 1,700 jobs a year earlier.
- A group of regional analysts expected moderate improvement in Oregon job growth during 2005.[2]

Improved overall job and home price conditions boost some consumer credit indicators.

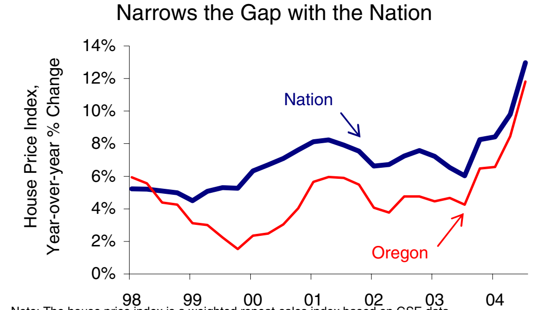
- In terms of its personal bankruptcy rate and the foreclosure rate, the state continued to rank 13th and 30th, respectively, in the nation as of second quarter 2004.
- The unemployment rate, however, declined to 7.2 percent for third quarter 2004 from 8.4 percent a year earlier, the tenth fastest decline in the nation. Although the Oregon unemployment rate was the second highest in the nation, its steep decline during the past year suggests a potential job recovery. Furthermore, strong job growth coupled

Chart 1: Oregon Job Growth Ranked Seventh in the Nation as of Third Quarter 2004



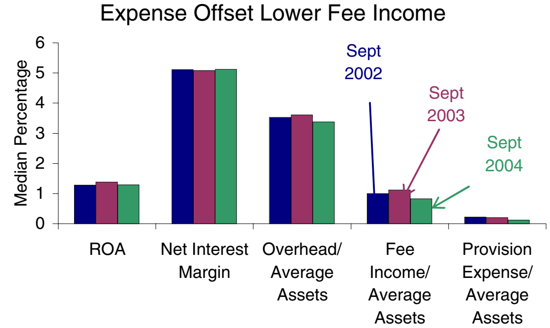
Source: Bureau of Labor Statistics.

Chart 2: Oregon Home Price Appreciation Narrows the Gap with the Nation



Note: The house price index is a weighted repeat-sales index based on GSE data from conforming properties.
Source: Office of Federal Housing Enterprise Oversight.

Chart 3: Controlled Overhead and Provision Expense Offset Lower Fee Income



Note: ROA is return on average assets.
Source: FDIC.

[1] Holt, Shirleen, "Slow Economic Recovery Prompts more Firms to Turn to 'Just-In-Time' Employment," The Seattle Times, November 16, 2004.
[2] "Western Blue Chip Economic Forecast", W.P. Carey School of Business at Arizona State University, November 2004.

with improved home price appreciation bodes well for Oregon homeowners (See Chart 2).

- Despite some weak fundamentals, the median consumer delinquency ratio among established Oregon institutions continued to improve, declining from 0.85 percent to 0.61 percent year-over-year as of third quarter 2004.[3] However, rising interest rates or slower home sales activity may likely contribute to weakening consumer credit quality.

Established institutions headquartered in Oregon continue to report strong earnings.

- The median quarterly return on assets (ROA) among established institutions headquartered in Oregon was 1.30 percent, down slightly from the prior year's 1.38 percent, but well above the 1.07 percent reported by established institutions nationwide. Earnings fell despite an improving net interest margin, securities gains, lower provisions for loan and lease losses, and a reduction in overhead. Lower noninterest income from securitizations and related fees was largely the reason for the decline in earnings during the quarter (See Chart 3).

- Long-term interest rate declines enabled more than one of five commercial banks headquartered in Oregon to boost earnings through securities gains during the quarter.

Commercial real estate (CRE) exposure in Oregon was the highest in the nation.

- Corresponding to the favorable economic trends in the state, established institutions headquartered in Oregon reported year-over-year total loan growth of 20 percent as of third quarter 2004. Loan growth was centered in the CRE portfolio, especially the construction and development (C&D) portfolio, which posted a 42 percent one-year growth rate (See Chart 4).

- Accordingly, the relatively high CRE and C&D exposures among Oregon's insured institutions rank first and seventh in the nation, respectively. As of September 30, 2004, the median CRE loan to Tier 1 capital ratio was 443 percent and 74 percent for C&D loans.

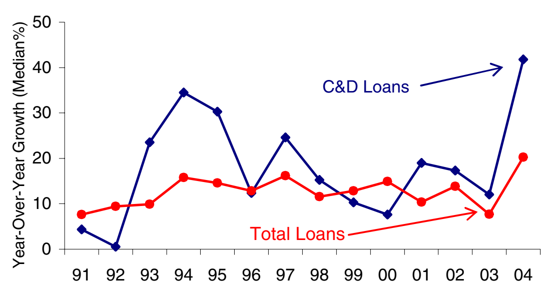
- Despite growth in the CRE portfolio and a decline in the median delinquent total loan ratio among insured institutions based in Oregon, the median CRE past-due ratio increased year-over-year as of September 30, 2004. Although the 0.49 percent CRE past-due ratio was relatively low, this increase occurred during a time of strong CRE loan growth which may be a precursor of higher delinquencies in the future.

Deposit growth in Oregon was brisk.

- During the last five years, deposits at branches of insured financial institutions in Oregon grew almost twice as fast as personal income despite stiff competition from credit unions. Oregon reported the third highest credit union market share as of June 30, 2004, at 19.5 percent of combined credit union and FDIC-insured deposits. Insured financial institutions based in Oregon also face substantial competition from out-of-state institutions, which control 76 percent of Oregon's deposits and 70 percent of its offices. While this competition may have contributed to the relatively strong growth in the number of banking offices during the last five years, ranking 17th in the nation, the majority of new offices were opened by in-state institutions.

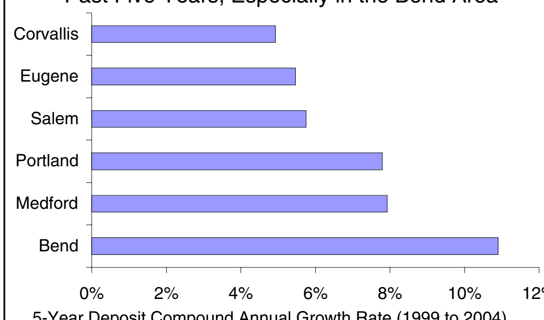
- Deposit growth across Oregon's metro areas was strongest in the Bend metropolitan area, which had the lowest credit union market share of any metropolitan area in the state. The weakest growth was in the Corvallis CBSA, which had the highest credit union market share (See Chart 5).

Chart 4: C&D Outpaces Total Loan Growth as Lending Accelerates Among Oregon's Institutions



Note: C&D is construction and development loans.
Source: FDIC (September of each year).

Chart 5: Deposits Held in OR Offices Grew in the Past Five Years, Especially in the Bend Area



Source: FDIC/OTS Summary of Deposits.

[3] Established institutions are those that have been in operation for more than three years as of September 30, 2004.

Oregon at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	38	39	39	45	48
Total Assets (in thousands)	23,233,051	22,393,640	22,979,030	19,400,838	19,895,476
New Institutions (# < 3 years)	6	5	5	8	9
New Institutions (# < 9 years)	15	14	13	16	15

Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	10.02	10.20	9.28	9.23	9.77

Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	0.59%	0.71%	1.00%	1.05%	0.99%
Past-Due and Nonaccrual >= 5%	0	1	1	4	5
ALLL/Total Loans (median %)	1.21%	1.21%	1.25%	1.16%	1.18%
ALLL/Noncurrent Loans (median multiple)	2.79	3.22	3.22	2.35	2.25
Net Loan Losses/Loans (aggregate)	0.09%	0.14%	0.31%	0.15%	0.15%

Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	4	4	4	2	3
Percent Unprofitable	10.53%	10.26%	10.26%	4.44%	6.25%
Return on Assets (median %)	1.05	1.32	1.26	1.24	1.16
25th Percentile	0.57	0.88	0.90	0.85	0.64
Net Interest Margin (median %)	5.00%	5.00%	5.10%	4.69%	5.16%
Yield on Earning Assets (median)	6.04%	6.58%	7.40%	8.53%	8.90%
Cost of Funding Earning Assets (median)	1.23%	1.53%	2.19%	3.74%	3.70%
Provisions to Avg. Assets (median)	0.16%	0.22%	0.23%	0.20%	0.22%
Noninterest Income to Avg. Assets (median)	0.78%	1.04%	0.96%	1.03%	0.87%
Overhead to Avg. Assets (median)	3.47%	3.70%	3.34%	3.55%	3.85%

Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	86.84%	83.67%	87.10%	85.70%	80.13%
Loans to Assets (median %)	74.59%	70.52%	72.82%	72.66%	71.14%
Brokered Deposits (# of Institutions)	13	9	12	9	9
Bro. Deps./Assets (median for above inst.)	2.02%	3.61%	2.48%	4.37%	2.12%
Noncore Funding to Assets (median)	15.66%	14.45%	17.15%	16.97%	15.18%
Core Funding to Assets (median)	69.61%	69.40%	69.95%	71.49%	73.09%

Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	30	29	28	28	30
National	3	3	3	3	4
State Member	3	3	3	9	9
S&L	2	3	3	3	3
Savings Bank	0	1	2	2	2
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Portland-Vancouver OR-WA PMSA	12	11,760,990	31.58%	50.62%
No MSA	12	8,274,733	31.58%	35.62%
Eugene-Springfield OR	6	1,486,662	15.79%	6.40%
Salem OR PMSA	5	553,750	13.16%	2.38%
Medford-Ashland OR	2	830,146	5.26%	3.57%
Corvallis OR	1	326,770	2.63%	1.41%